



**THE EFFECT OF INTERBANK RATES TOWARDS CONVENTIONAL
AND ISLAMIC TRADE FINANCE INSTRUMENTS**

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MELAKA**

OCTOBER 2010

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**Submitted in Partial Fulfillment of the Requirement for the Bachelor
of Business Administration (Hons) Finance**

**FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA
MELAKA**

OCTOBER 2010

DECLARATION OF ORIGINAL WORK



BACHELOR OF BUSINESS ADMINISTRATION WITH HONOURS (FINANCE) FACULTY OF BUSINESS MANAGEMENT UNIVERSITI TEKNOLOGI MARA

'DECLARATION OF ORIGINAL WORK'

I, AZMIE JOSLIN BIN MOHD JACKIE, (860310-30-5409)

Hereby, declare that:

This work has not previously been accepted in substance for any degree, any locally or overseas, and is not being concurrently submitted for this degree or any other degrees.

This project paper is the result of my independent work and investigation, except where otherwise stated.

All verbatim extracts have been distinguished by quotation marks and sources of my information have been specifically acknowledged.

Signature: _____ Date: _____

LETTER OF SUBMISSION

3 November 2010

The Head of Program
Bachelor of Business Administration with Honours (Finance)
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SUBMISSION OF PROJECT PAPER

Attached is the project paper title “The Effect of Interbank Rates towards Conventional and Islamic Trade Finance Instruments: A Study on Trade Bills and Trust Receipt” to fulfill the requirement as needed by the Faculty of Business Management, Universiti Teknologi MARA.

Thank you.

Yours sincerely,

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ABSTRACT

This research paper studies on the effect of interbank rate or interest rate towards trade finance instruments. The scope of study focuses on the movement of trade instruments volume in trading businesses, and the objective of this study is to determine what are the possible relationship can interest rate give to these type of instruments. The variables taken for investigation in this study are such as trade bills and trust receipt from both system, Islamic and Conventional Finance. The data used in this study covering from January 2007 until December 2009, which is approximately 3 years period retrieve from Bank Negara Malaysia (BNM) and Datastream. The methodology being used in this study is Autoregressive Model (AR) to determine the relationship between interest rates and trade finance instruments. Results gathered from this study is to indentify whether interest rates have any significance relationship with trade finance instruments or the other way. Since, the result is significant, therefore interest rate is able to affect the trade finance instruments and any other instruments. This due to the fact that interest rate is the trigger of any financial risks gathered from previous research and theory.